

Baker Talc Limited
(No Personal Liability)

Annual Report

For the year ending
February 29, 1972

Baker Talc Limited

(No Personal Liability)

Officers

Chairman of the Board: R. P. Mills
President: J. H. Morgan, Ph. D.
Vice-President: C. W. Bergstrom
Secretary: I. C. Miller
Treasurer and Controller: R. J. Mayes

Directors

C. W. Bergstrom, Town of Mt. Royal, Quebec
R. J. Mayes, Montreal, Quebec
Ian C. Miller, Montreal, Quebec
R. P. Mills, Westmount, Quebec
J. H. Morgan, Ph. D., Montreal, Quebec

Registrar and Transfer Agent

General Trust of Canada, 10 St. James Street, West
Montreal 126, Quebec.

Auditors

Price Waterhouse & Co.

Head Office

Suite 400, 621 Craig St. W., Montreal 101, Quebec. Telephone No. 861-9233

Mine Office

Highwater, Quebec.

The Annual General Meeting of Shareholders will be held in the Blue Room, Windsor Hotel, Montreal, Quebec, on Friday, July 7, 1972, at 11:00 o'clock in the forenoon (Eastern Daylight Saving Time).

COVER

A bird's eye view of a pallet of Super HI-TALC 903 being prepared for shipment to a paper mill consumer.

View of the mill building near Highwater, Quebec. The new mill is housed in the right hand half of the tall building. The new warehouse for the fine talc is to the extreme right of the picture.



To the Shareholders of BAKER TALC LIMITED

(No Personal Liability)

Your Directors are pleased to report on the activities and results of your Company's operations for the fiscal year, 1971.

Loss for the year after deducting \$51,102 depreciation and amortization was \$40,847. Working capital as of Feb. 29, 1972 was \$51,437 against \$78,945 at the end of the previous year, a decrease of \$27,508 of which \$20,870 represented additions to plant and equipment.

Sales volume in 1971 was the highest in your Company's history. Tonnage sold was up by 46 percent over 1970 at 11,536 tons, and dollar value was up by 48 percent at \$234,732.

Standard grade talc sales at \$182,201 (10,785 tons) compare with \$130,258 (7,502 tons) in 1970. Because of strikes, slow-downs, and sales resistance in the pulp and paper industry, sales of pitch-control talc reached only \$52,231 (750 tons) in 1971 against \$27,417 (392 tons) in 1970. It should be noted, however, that tonnage of this material was only 7 percent of the total, but 23 percent of the dollar value.

While sales of the new grades of talc have been slower to develop than anticipated, it is obvious that the operation will be quite profitable when sales reach the capacity of the present plant.

Sales development by St. Lawrence Chemical Company (Sales) Ltd. is progressing. Four pulp and paper mills are now using Super HI-TALC 903 for pitch control and it is expected that other mills will soon adopt its use to replace imported talc. Sales to the paint and plastics industries are small, but gradually increasing.



Interior view of the new mill. George Daigle, your manager, is at the top of the stairs.

This past year was one of development in the new process. To improve recovery and quality of the final product, an additional flotation stage was added. Filtering, thickening and drying has been improved with resultant economies in operation. Classification of the very fine product to meet a variety of consumers' requirements is being studied and tested.

Developments on the "400" level of the Van Reet Mine more than replaced the ore used during the past year. Additional ore was located and partly developed in the number one zone. The mine is in excellent shape to meet the expected demands of increased sales. At present consumption levels, ore reserves are adequate for at least 20 years.

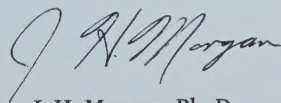
We deeply regret to announce the passing of two of your Directors in the past year. Mr. J. O. Sabourin served your Company since its formation in 1952 as Director, Secretary and Treasurer. Mr. J. McG. Home, Q. C., served the Company as Director and Counsel since 1960.

Your Directors wish to express their appreciation to your Manager, Mr. George Daigle, and his staff, for their continuing devotion to the development of the mine and the new milling processes. These men repeatedly solve problems and develop improvements to practical production.

Your Directors submit for your consideration the attached financial statements for the year ended February 29, 1972. Notice of the Annual General Meeting of Shareholders, to be held in Montreal, Quebec, on the 7th day of July, 1972, is enclosed. A proxy form, in case you cannot attend the Meeting in person, is included.

Respectfully submitted, on behalf of the Board of Directors.

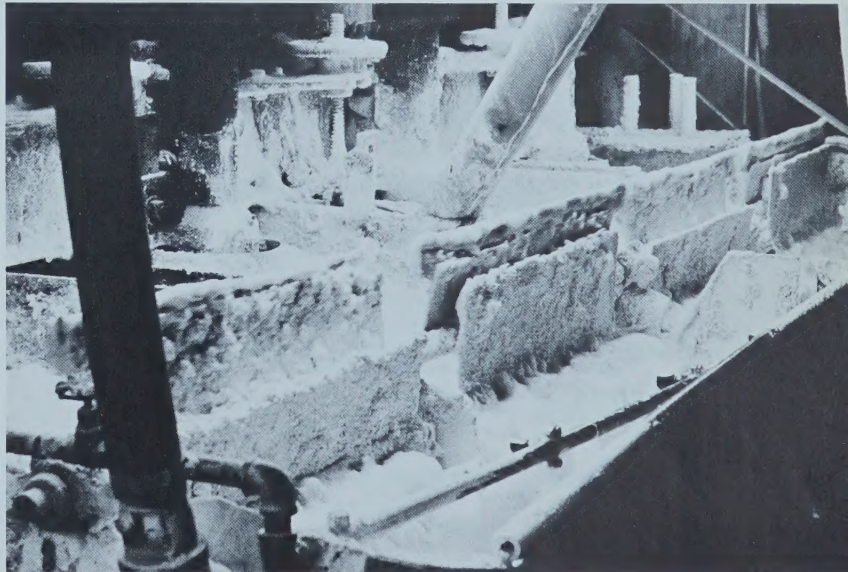
Montreal 101, Quebec.
June 5, 1972.



J. H. Morgan, Ph. D.,
President.



Baker HI-TALC Standard grades are still the mainstay of the operation. Shown here being packed into 50 lb. bags is A-1 Talc.



The third stage of flotation is shown in this action photograph. The purified talc floats to the top and is discharged from the cells by the rotating paddles visible in the foreground.

Baker Talc Limited

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act on January 21, 1952)

STATEMENT I

Balance Sheet

ASSETS

	February 29 1972	February 28 1971
Current assets:		
Cash	\$ 3,913	\$ 377
Short-term deposit receipts	—	35,000
Accounts receivable	23,861	24,904
Inventory of talc, materials and supplies, at the lower of cost or net realizable value	28,304	20,293
Prepaid charges	182	1,505
	<u>56,260</u>	<u>82,079</u>
Investment — shares of a mining company, at nominal value	1	1
Fixed assets — at cost:		
Buildings and machinery	474,696	474,437
Railway siding	2,554	2,554
Trucks	14,540	10,370
	<u>491,790</u>	<u>487,361</u>
Less: Accumulated depreciation	267,113	247,196
	<u>224,677</u>	<u>240,165</u>
Land, mineral rights, and mining claims held under development licenses (Note 1)	15,336	15,336
	<u>240,013</u>	<u>255,501</u>
Deferred expenditures:		
Mine development expenditures, at cost less accumulated amortization (Note 2)	245,116	233,300
Whiter talc development expenditure, at cost less accumulated amortization (Note 3)	158,499	163,464
Exploration expenditures, at cost (Statement II and Note 1)	72,570	72,109
	<u>476,185</u>	<u>468,873</u>
Organization expenses	2,720	2,720
	<u>\$775,179</u>	<u>\$809,174</u>

LIABILITIES AND CAPITAL

		February 29 1972	February 28 1971
Current liabilities:			
Accounts payable and accrued charges		\$ 4,823	\$ 3,134
Loan from the Department of Industry, including estimated accrued interest (Note 3)		93,198	88,035
7% Convertible redeemable debentures, due February 1, 1976 (Note 4):			
Authorized	\$ 400,000		
Outstanding		39,700	42,000
Capital stock less deficit (Notes 4 and 5):			
Capital stock —			
Authorized —			
4,000,000 shares of \$1.00 par value each	\$4,000,000		
Issued —			
	<u>Shares</u>	<u>Discount</u>	<u>Net</u>
For net assets of predecessor company	182,090	\$ —	182,090
For cash	1,424,505	(1,007,700)	416,805
For debentures converted (Note 4)	478,700	(118,400)	360,300
For services rendered	50,000	(20,000)	30,000
	<u>2,135,295</u>	<u>\$(1,146,100)</u>	<u>989,195</u>
Deficit (Statement IV)		351,737	310,890
		<u>637,458</u>	<u>676,005</u>
 SIGNED ON BEHALF OF THE BOARD:			
R. P. MILLS, Director		<u>\$775,179</u>	<u>\$809,174</u>
J. H. MORGAN, Director			

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Baker Talc Limited

(No Personal Liability)

Statement of Deferred Exploration Expenditures for the Year Ended February 29, 1972

STATEMENT II

CHIBOUGAMAU AREA

	Balance, February 28, 1971	Expended during the year	Balance, February 29, 1972
Diamond drilling	\$46,831	—	\$46,831
Wages and fringe benefits	2,538	—	2,538
Supplies	4,060	—	4,060
Repairs	855	—	855
Transportation and automobile expenses	182	—	182
Miscellaneous	790	—	790
Taxes, fees and licenses	1,806	461	2,267
Engineering	5,106	—	5,106
Assays	140	—	140
Buildings and equipment	5,449	—	5,449
Geophysical surveys	4,352	—	4,352
Balance per balance sheet (Statement I)	<u>\$72,109</u>	<u>461</u>	<u>\$72,570</u>

Baker Talc Limited

(No Personal Liability)

Statement of Income for the Year Ended February 29, 1972

STATEMENT III

	<u>1972</u>	<u>1971*</u>
Sales	\$234,732	\$130,258
Interest on deposit receipts	650	6,377
	<u>235,382</u>	<u>136,635</u>
Cost of sales	175,906	79,622
Administrative expenses	45,013	44,934
Interest on long-term debt	7,996	8,215
	<u>228,915</u>	<u>132,771</u>
Income before deducting the undernoted items	6,467	3,864
Depreciation	27,470	27,733
Amortization of development expenditures	23,632	10,462
Profit on sales of fixed assets	(3,788)	—
Services rendered by a former associated company	—	30,000
	<u>47,314</u>	<u>68,195</u>
Loss before extraordinary item	40,847	64,331
Write-off of mineral rights acquired from predecessor company	—	100,587
Loss for the year	<u>\$ 40,847</u>	<u>\$164,918</u>

*Certain items have been restated for comparative purposes.

Statement of Deficit for the Year Ended February 29, 1972

STATEMENT IV

	<u>1972</u>	<u>1971</u>
Deficit, beginning of year:		
As previously reported	\$305,600	\$145,972
Estimated interest accrued to February 28, 1971 on loan from Department of Industry (Note 3)	5,290	—
As restated	310,890	145,972
Loss for the year	<u>40,847</u>	<u>164,918</u>
Deficit, end of year	<u>\$351,737</u>	<u>\$310,890</u>

Baker Talc Limited

(No Personal Liability)

Statement of Source and Application of Funds for the Year Ended February 29, 1972

STATEMENT V

	<u>1972</u>	<u>1971*</u>
Source:		
(Loss) for the year	\$ (40,847)	\$ (164,918)
Estimated interest on loan from Department of Industry, not currently payable (Note 3)	5,163	5,290
Depreciation	27,470	27,733
Amortization of development expenditures	23,632	10,462
Write-off of mineral rights	—	100,587
Profit on sales of fixed assets	(3,788)	—
Issue of common shares for services rendered	—	30,000
	<hr/>	<hr/>
Funds provided from operations	11,630	9,154
Proceeds from sales of fixed assets	12,677	—
	<hr/>	<hr/>
	24,307	9,154
 Application:		
Fixed asset additions	20,870	74,204
Deferred expenditures	30,945	50,792
	<hr/>	<hr/>
	51,815	124,996
 Decrease in working capital	27,508	115,842
Working capital at beginning of year	78,945	194,787
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Working capital at end of year	\$ 51,437	\$ 78,945

*Certain items have been restated for comparative purposes.

Auditors' Report

To the Shareholders of
Baker Talc Limited (No Personal Liability):

We have examined the balance sheet of Baker Talc Limited (No Personal Liability) as at February 29, 1972 and the statements of deferred exploration expenditures, income, deficit and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at February 29, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 3, 1972

PRICE WATERHOUSE & CO.
Chartered Accountants

Baker Talc Limited

(No Personal Liability)

Notes to Financial Statements February 29, 1972

Note 1. The amount at which the mining rights and related deferred exploration expenditures are recorded does not, and does not purport to, represent their present or future value.

Note 2. Deferred mine development expenditures are being amortized over a period of twenty years, at a rate per ton based on the estimated future production of talc.

Note 3. On September 29, 1967 the Company entered into an agreement with the Department of Industry (Programme for Advancement of Industrial Technology in Canada) whereunder the Department undertook to provide funds up to 50% of the cost of a research project, the purpose of which was to develop suitable methods for producing high quality talc from ores mined by the company. Under the terms of this agreement the funds advanced together with accrued interest thereon, compounded annually, are repayable over a period not exceeding ten years from the date of the first commercial sale or first commercial use by the Company of products resulting from the project. The agreement further stipulates that under certain adverse conditions the Minister may postpone or extend repayment of the loan.

In connection with the above noted agreement, the Company received \$82,745 from the Department of Industry. Although the research project has been completed and sales of high quality talc are being made, the Department has not yet determined the repayment terms and the applicable interest rates. However, as at February 29, 1972 the Company recorded at an estimated rate the loan interest accrued from the dates of receipt and restated prior year's figures to reflect this accrual. The loan, which in prior years was deducted from deferred development expenditures has been reclassified as a liability.

Deferred development expenditures on the "whiter talc" project are being amortized over a period of twenty years, at a rate per ton based on the estimated future production of the new product.

Note 4. The 7% convertible redeemable debentures are severally dated the date of their issue; are redeemable at par in whole or in part at any time after February 1, 1971; and mature on February 1, 1976. They constitute a first floating charge to and

in favour of the Trustee on the undertaking of the Company, its property and assets. The debentures are convertible at the option of the holder into fully paid and non-assessable common shares of the Company at the following rates for each \$100 principal amount:

1. February 1, 1972 to January 31, 1974 — 66% Common shares
2. February 1, 1974 to January 31, 1976 — 50% Common shares

During the year ended February 29, 1972, \$2,300 of the debentures were converted into 2,300 shares of capital stock at the rate of 100 shares per \$100 principal amount, a rate which was applicable from February 1, 1970 to January 31, 1972.

Note 5. By resolution of the Board of Directors on January 27, 1972, options were granted, subject to qualification of the Company under applicable statutes, to senior personnel of the Company to purchase a total of 20,000 shares of capital stock at 50¢ per share for a period of three years from March 12, 1972, provided that no more than 33⅓% be exercised in any one year. Any unsubscribed balance is to be cumulative to the termination date. The optionee must be an employee of the Company at the time of exercising his option.

No options had been exercised at February 29, 1972.

Note 6. The Company is a party to an agreement with a service corporation which provides office accommodation and management services — geological, engineering and administrative. Fees paid to this corporation during the year ended February 29, 1972 amounted to \$12,000. Two of the principal shareholders of the service corporation are directors of Baker Talc Limited (No Personal Liability).

Note 7. As at February 29, 1972 the Company had accumulated losses for income tax purposes of approximately \$138,000 which are available to reduce future taxable income. However, the aggregate of the net values at which depreciable fixed assets and deferred expenditures are carried on the books of the Company exceeds by approximately \$44,000 the total of the corresponding amounts available to be written off for tax purposes.

Note 8. Remuneration of officers all of whom are also directors amounted to \$19,400 for the year ended February 29, 1972.

